

NGOs' Seat at the Donor Table

Enjoying the Food or Serving the Dinner?

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1 Introduction

Three trends define how relationships between official donors and non-governmental development organisations (NGOs) have been structured for at least the past five years. First, NGOs operating around the globe have mushroomed, partly in response to the availability of greater donor funding for NGO activity. Second, many donor agencies are reducing the numbers of direct hire staff they have in the field, often in an attempt to cut back their overall operating budgets or to manage programmes using fewer administrative resources. This lack of staff in the field means that donor institutional knowledge of national and local NGOs is limited, as are the personal relationships that foster trust and allow for deeper relationships with NGOs. Third, donor agencies are more likely to use contracts rather than open-ended grants to NGOs, since the donor retains greater control in a contract or cooperative agreement than it does in a grant. The net result? At a time when NGOs have increased involvement with official donors (bilateral and multilateral) and their own governments, they actually have less influence over how development assistance resources are spent.

This article explores these trends and discusses what they mean for donor-NGO relationships, suggesting how NGOs' limited influence ultimately affects beneficiaries of development assistance. Three recommendations are put forward to alter the relationships between donors and NGOs in order to offer beneficiaries a greater stake in the decisions that affect their lives. First, relationships between donors and NGOs should be reconfigured to recognise their *interdependence*. Currently, there is a perception that donors provide resources to NGOs, and the contribution that NGOs make to the equation has been minimised. Second, donor agencies need to reform their own institutions. In particular they must modify financial reporting and other requirements put in place to ensure fiscal accountability, so that these conditions strengthen ties between and development accountability to beneficiaries and to NGOs, rather than reorienting NGOs to focus on donors. Finally, donors can institutionalise NGO consultation at every stage of the aid relationship, including policy decisions, rather than relying on NGOs to implement donor agendas. In a world of increasing NGO voices, donors should give special preference to

those which have proven and effective ties with development beneficiaries.

2 NGO Explosion

When, in January 2000, *The Economist* published an article on the role of NGOs in global governance, NGOs had truly arrived. Three full pages in *The Economist* surely indicated that NGOs were now officially part of the international establishment! As a 1995 UN report on global governance revealed, there are nearly 29,000 international NGOs. The number of national NGOs are even greater. In Russia, there are at least 65,000; in Kenya almost 250 are created every year. In Nepal the number of NGOs registered with the government increased dramatically from 220 in 1990 to 1,210 in 1993. In Tunisia in 1988, there were 1,886 NGOs and three years later there were 5,186 (Edwards 1999:17). In Bosnia in 1998, there were nearly 200 NGOs from 24 countries, and in that year alone it was projected that these NGOs would spend US\$1 billion on activities (Hudock 1999:10). The Red Cross reports that NGOs now disburse more money than the World Bank.¹

Why the dramatic increase in numbers of NGOs working both internationally and within their own national boundaries? Critical observers contend that it is due in large part to the increase in donor funding available for NGO activity. Increasingly, bilateral assistance has been channelled to NGOs, especially those in developing countries (van Rooy 2000). The Organisation for Economic Cooperation and Development (OECD) reports that the proportion of total aid from member countries channelled through NGOs rose from 0.7 in 1975 to 3.6 per cent in 1985, and at least 5 per cent in 1993/94, some US\$2.3 billion in absolute terms. Snapshots of individual donors' assistance to NGOs reveal the dramatic increase in the pace as well as the levels of funding awarded. The UK-based Overseas Development Institute reports that in the ten years to 1993/94, the UK increased its official funding of NGOs by almost 400 per cent. In 1994, Swedish NGOs received 85 per cent of their funding from official aid sources. In 1993, official development assistance (ODA) to Canadian NGOs reached 70 per cent of their total income, while in the US, of all the funding NGOs receive, 66 per cent originates from official sources.

Perhaps more significantly, southern NGOs have received increased amounts of direct assistance from official development sources. The European Union has over US\$80 million, which is available to southern NGOs. Not surprisingly, the larger, more established NGOs, such as those in Bangladesh for example, receive a disproportionate amount of the funding dispersed by the Swedish International Development Agency (SIDA) to Bangladeshi NGOs (Bennett and Gibbs 1996).

Another explanation for the rise of this element of the 'third sector' is that there is an associational revolution underway, a revolution so dramatic that it fundamentally redefines governance by redistributing power from the state to civil society (Mathews 1997). This may be exaggerated, since civil society organisations are often themselves non- or anti-democratic in terms of organisational structure and operation, and many are not sustainable over the long term since they rely so heavily on donor funding. Moreover, this dependence threatens their autonomy and ability to challenge power structures such as the state or the international donor community.

In spite of these shortcomings, Edwards suggests:

These are exciting times, when new relationships are developing between unlikely bedfellows – NGOs and businesses, municipalities and banks, international organisations and citizens' groups. Increasingly, international regimes are made up of diverse relationships between different sectors of society, with nation states functioning less as sovereign entities and more as components of an 'international polity' ... holding local and global governance mechanisms to account but playing a smaller role in a larger system.' (Edwards 1999:17)

These 'exciting times' reached fever pitch late last year when diverse coalitions of NGOs disrupted the World Trade Organisation (WTO) negotiations in Seattle, surprising many politicians and corporate interests with their organisation, use of the media for their own ends, and collective strength. In the aftermath of Seattle, *The Economist* (11 December 1999:20) reflected on the failure of the WTO event and suggested that, 'Some will celebrate this as the

advent of the age when huge institutions will heed the voice of Everyman. Others will complain that self-appointed advocates have gained too much influence. What is certain is that a new kind of actor is claiming, loudly, a seat at the table'.

Or, was Seattle just a moment? A fleeting success unsustainable on a daily basis? Yes and no. On the one hand, NGOs do have greater influence, access, media and advocacy savvy, and technological capability to influence the international agenda. In 1992 at the Earth Summit in Rio de Janeiro, NGOs generated enough public pressure to push through agreements on controlling greenhouse gases. The World Bank's anniversary meeting in 1994 was dominated by protestors with a 'Fifty Years is Enough' campaign. Hundreds of NGOs worked with the Canadian government to outlaw landmines, and the coordinating NGO won a Nobel Prize for its efforts. More recently, a global coalition of NGOs called Jubilee 2000 has successfully lobbied for a dramatic reduction in the debts of the poorest countries, and raised this issue to the top of the international communities' agenda.

3 Scaling Back and Contracting Out

NGOs might be more powerful now than ever at the corporate, national and international level. However, on a daily basis their relationships with donor agencies and greater access to them has not translated to greater ability to influence the neo-liberal development agenda (see Introduction) or the allocation of development resources. Why? Donor agencies are changing the way they do business. Many donors have put fewer people in the field and are using more contractors to do their work. This is in part a response to criticisms that NGOs spend too much money on overhead costs such as staff salaries and benefits, and not enough goes directly to projects. It is also a direct result of the decrease in overall official development assistance that has been available, in spite of the increased allocation of funds channelled through NGOs.

Bennett and Gibbs (1996:41) note that the early 1990s witnessed a stagnation and notable decline in the volumes of ODA from OECD nations to developing countries. From 1992-93, total ODA declined from \$61 billion to \$56 billion, representing a 5 per

cent reduction in real terms. They suggest that this decline signifies a reduced commitment from northern donors to development, and that at least for southern NGOs wanting to access these reduced funds, 'the means by which this funding is channelled may be of greater significance than its total quantity'.

As donors have less staff in the field and try to do more with fewer resources, they are relying on international NGOs registered in the donor country (and therefore accountable to government) to administer their programmes. With a decreased field presence, donors are less able to forge substantial relationships with national NGOs or to administer small grants programmes with local-level NGOs. In addition, increased public scrutiny and legislative oversight of donor agency programmes has forced them to 'show results' for money spent. This 'management for results' culture favours contracts over grants since the donor agency is more able to control the direction of the project and the activities carried out by the NGO implementing it. Grants are more open-ended and allow the NGO greater discretion as to how it implements a project, creating a greater risk for the donor, who has to account for the resources spent.

The new development orthodoxy, however, flies in the face of this reality. It dictates that active participation by a wider variety of stakeholders must be sought in planning and designing policies and programmes in order to ensure local commitment and action in implementing and maintaining them. Again, this is driven by the desire for results. In 1992, the World Bank's evaluation department reported a strong correlation between various indicators of 'ownership' and the satisfactoriness of outcomes. Where ownership was high, projects achieved good results and where it was low, programmes were ineffective. In 1994 the *World Development Report* highlighted the need for 'user involvement' in project design and operation, as well as in decision-making and agreements as to the sharing of benefits and costs (Woods 2000:824).

In spite of the World Bank's rhetoric about the importance of NGOs, and the latter's increased interaction with the World Bank, NGOs have not necessarily influenced its activities or policies. A recent article in *The Economist* (December 11,

1999:21) claims that the 'Bank has made a huge effort to co-opt them'. As evidence, the article cites the more than 70 NGO specialists working in the Bank's field offices; it notes that half the number of World Bank projects last year involved NGOs; that alliances have been forged between the highest level of the World Bank and civil society organisations, including religious groups, thereby 'diluting the strength of these mobilisation networks and increasing the relative power of the technical NGOs' that the World Bank has already co-opted by involving them in project implementation and evaluation. (See Introduction and Malena in this volume.)

A review (Nelson 1995) of 304 World Bank projects which involved NGOs between 1973 and 1990 assessed the nature of NGO involvement, the character of the NGOs involved, and particularly the growth in the number of projects with NGO involvement since 1988. Of these projects, only 76 featured interaction with NGOs where the NGOs were engaged beyond project implementation. These projects were unusual since they involved NGOs in project design, included direct funding of NGO projects by a Bank-financed fund, or involved conflict between the Bank's project managers and NGOs over the outcomes of the projects. These 76 projects represent the most intensive project interaction to date, and the kind of interaction, that the Bank claims to want with more NGOs.

It is not enough for NGOs to have a seat at the donor table. If donors involve NGOs because they want to increase development effectiveness, then they need to alter their relationships with NGOs in ways that give them greater influence over donors' policies and programmes. As Fowler (2000:1) suggests, 'international aid would be more effective, equitable, just and credible if a relational power shift occurs. Relationships need to be more in favour of those frequently least able to negotiate from a position of adequate capacity and relative strength'.

There are three ways that relationships between donors and NGOs can be altered to offer beneficiaries a greater stake in the decisions that affect their lives. The first would be to do away with the notion of partnership, since that obscures the two-way nature of these donor-NGO exchanges, and instead

focus on 'inter-organisational influence' (Hudock 1999:18). The term 'partnership' reflects an idealistic notion of what interactions between donors and NGOs should be like, rather than providing an accurate description of what they are actually like. Many exchanges between donors and NGOs can be characterised as isolated incidents, rather than part of a larger process, which the term 'partnership' implies. Very few are based on the types of equal exchange that are inherent to any real notion of partnership. Donor-NGO relationships have been dominated and even dictated by donors, since they are providing the resources necessary for development work. This tends to obscure NGOs' contribution to donors specifically, and to the development process generally.

An alternative framework of inter-organisational influence suggests that exchanges are predicated on one organisation's desire to extract resources (financial, material, informational) from another and that these exchanges are two-way, with different actors affected to varying degrees by their interactions. It suggests the degree to which an organisation possessing resources can exercise control over those seeking resources.

Changing relationships between donors and NGOs is not impossible. The first step is to view these relationships not as a zero-sum game in which there are always winners and losers, but as interdependent. Altering donors' relationships with NGOs can benefit donors by increasing their development effectiveness and therefore the ability to attract development assistance. Altering donors' and NGOs' relationships could help NGOs to work responsively and flexibly with development beneficiaries, rather than making them responsive to the directives of donors. Ultimately, it is this shift that will benefit the recipients of development assistance, for then activities will address their own needs as they have identified them. The seat of NGOs at the donor table is only meaningful when NGOs can use their access to donors to influence their policies and programmes in a way that empowers development beneficiaries. As long as NGOs are doing donors' bidding, they are serving the dinner rather than enjoying the food.

Donor information demands can be onerous for NGOs, and altering these conditions can help to

strengthen the ties between development beneficiaries and NGOs, rather than emphasise NGOs' accountability to donors. Donors are required to collect information from NGOs in order to report to the public or the government as to how the development resources they have given to the NGOs are spent. Donors can, however, change the type of information they gather from NGOs and development beneficiaries as well as the way in which they gather it. Donors can implement evaluations and monitoring programmes that are participatory, qualitative as well as quantitative, and rely on indicators for success designed by development beneficiaries and negotiated between all stakeholders at the beginning of the project.

Finally, donors can institutionalise consultation with NGOs at all stages of the aid relationship, starting with policy decisions – policy related to donor operations as well as the foreign policy guiding the development intervention. If, as *The Economist* (December 11, 1999:21) reports, 'NGOs now deliver more aid than the whole United Nations system' it is important for NGOs to influence both the policy that determines how and why that aid goes where it does, and the programmes through which it is channelled.

There is a range of NGOs, and donors don't have the time or even the inclination to try to consult with all of them. It would be useful, however, for donors to make a systematic effort to identify credible NGOs that have proven ties with development beneficiaries. These NGOs should help to shape donor decision making. Clearly, there will be problems with conflicts of interest, since NGOs are likely to support policies and programmes that benefit themselves in the long term. There are a number of ways to work around this, such as separating substantive debate that will inform grants and loans from discussions that will determine priorities, programmes and policies.

Once these changes are made in donor–NGO relationships, donors' programmes will be more effective and NGOs will be more responsive to their beneficiaries. The two are mutually reinforcing. Ultimately, NGOs' influence is only desirable when they use that influence to benefit those for whom development assistance is intended. Otherwise, the rhetoric of NGOs' increased influence will not translate to reality.

Note

- 1 These are net positive transfers after loan repayments are taken into account.

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